DOCUMENT RESUME

ED 248 943 JC 840 543

TITLE	Study of State Funding of Maryland Community Colleges, 1984.
INSTITUTION	Maryland State Board for Community Colleges, Annapolis.
PUB DATE	11 Oct 84
NOTE	62p.
PUB TYPE	Reports - Research/Technical (143) -- Statistical Data (110)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	*Community Colleges; *Educational Finance; Educational Legislation; Financial Policy; *State Aid; State Colleges; State Legislation; *Statewide Planning; Two Year Colleges
IDENTIFIERS	*Maryland

ABSTRACT

The study described in this report was conducted to examine the funding of Maryland's community college system and to develop an improved funding approach that would take into account differences in local wealth. After a discussion of the purpose and scope of the study, an explanation is provided of the existing funding structure, which is based on a proportional division of costs between the state, the localities, and the student, supplemented by a flat rate grant to each college and a set amount for each part-time student. After examining recent changes which have led to a lowering of the level of state support for community colleges, the report discusses the benefits these institutions provide to the student, the community, and the state. Then, three critical community college issues are addressed (i.e., the need for additional funds, local wealth, and the state funding mechanism), and recommendations are provided for each area. Finally, recommendations are summarized, including: (1) an increase of $270,000 in the annual college grant in fiscal year 1986; (2) an increase in state aid of $10 per part-time student; (3) an increase in state aid of $120 per full-time equivalent student in 1986; (4) the provision of of $150 in state aid per low-income student; and (5) increases in state aid after 1986 in proportion to increases in state funding for four-year colleges. Appendices include financial data, information on funding mechanisms used in other states, and proposed legislation. (HB)

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STUDY OF STATE FUNDING

OF

MARYLAND COMMUNITY COLLEGES

1984

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Approved October 11, 1984

Maryland State Board for Community Colleges

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STUDY OF STATE FUNDING

OF

MARYLAND COMMUNITY COLLEGES

1984

Maryland State Board for Community Colleges
16 Francis Street • Annapolis, Maryland 21401
Approved October 11, 1984

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EXECUTIVE SUMMARY

Community college funding in Maryland has been studied a number of times in recent years. The most recent comprehensive study led to Legislative enactment of annual grants and funding for each part-time student in FY 1982. Since that time the economic problems in the City of Baltimore and Allegany County have led to requests for special community college funding by the State.

In January 1984, Governor Hughes requested that the State Board for Community Colleges (SBCC) study the State's approach to funding community colleges with particular attention to problems of differences in local wealth. The SBCC staff prepared a study, which was subsequently reviewed by a committee consisting of five community college presidents, the Governor's Aide for Education, and the community college budget analyst from the Department of Budget and Fiscal Planning. The final draft was reviewed and endorsed by all of the Maryland community college presidents.

The study identified three critical funding issues: the need for additional State funds, disparities of local wealth, and inadequacies in the community college funding mechanism. Recommendations are presented in each area.

Community colleges are seriously underfunded by the State. Evidence of this condition is seen in a declining State share of support, declining support in relation to public four-year colleges, a national study of community college operating costs, and a survey of instructional equipment needs. It is recommended that for FY 1986: (a) the amount of the annual grant be increased by $270,000, (b) State aid per full-time equivalent (FTE) be increased by $120 ($315 for small and regional colleges), and (c) aid per part-time student be increased by $10 per part-time student.

The issue of local wealth relates to the funding of community colleges in poorer subdivisions. There is a relationship between local wealth and community college operating expenditures, but it is slight, due to considerable variations in local funding effort and tuition policies. Equalization of funding is complicated philosophically and operationally. The State Board for Community Colleges believes that it is necessary to address the special needs of community colleges in poorer subdivisions, and a reasonable way to address the issue is to provide funds based upon the characteristics of the students served at the colleges. The number of students receiving financial aid is a clear measure of these considerations. It is recommended that State aid be provided in the amount of $150 per low income student enrolled in the previous fiscal year at each community college. A low income student is defined as a student who received a federal Pell grant during the previous fiscal year.

After decades of growth, community college enrollment is expected to be stable or to decline for the next ten years. The State aid rate for community colleges has increased only about every three years, with additional funds generated through enrollment growth. With stable or declining enrollment, a way must be found to provide the annual adjustments in funding necessary to support ongoing costs for items such as instructional equipment, curriculum development, and merit increases. It is recommended that: (a) after FY 1986, all parts of the community college aid formula be increased by the same percentage as the increase in the State's general fund per FTE student appropriation to the public four-year institutions for the previous fiscal year, (b) State aid be based upon enrollment in the prior fiscal year or the average of the previous three fiscal years, whichever is greater, and (c) local effort be maintained in order to receive the low income student funds.

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A. PURPOSE AND SCOPE OF THE STUDY

Background

Community college funding in Maryland was studied several years ago by the Maurer Subcommittee on Education of the Scanlan Task Force to Study State-Local Fiscal Relationships. As a result of that effort, the 1981 General Assembly changed the funding structure for community colleges, adding a flat grant of $200,000 per community college board of trustees and $10 per part-time student, effective in FY 1982. The issue of remedial education was discussed by the Task Force and the State Board for Community Colleges (SBCC) was asked to study the funding of remedial education. The remedial education study was published in January 1982, recommending additional funding based upon either the proportion of remedial students or the wealth of the political subdivision; however, neither proposal was funded.

The SBCC study of remedial education further recommended a study of the unique educational problems faced by the Community College of Baltimore in 1983. The study of the Community College of Baltimore recommended that additional aid be provided to the college, but the proposal was not funded by the State. In the Fall of 1983, Allegany Community College requested that the State Board approve a request for special funding because of poor economic conditions in the county, which in turn has affected the ability of the county to support the college.

Scope and Purpose

Governor Hughes requested that the State Board for Community Colleges study the State's approach to funding community colleges with particular attention to problems of differences in local wealth. The purpose of this study, therefore, was to review the current funding structure and make recommendations for an improved approach, taking all important considerations into account, especially local wealth. The overall strategy was to identify the criteria for effective State funding and then to evaluate a variety of alternative funding methods in relation to those criteria.

Process

The SBCC staff prepared an initial draft, which was then reviewed by the Funding Committee comprised of Dr. Donald L. Alexander, Allegany Community College; Dr. Thomas E. Florestano, Anne Arundel Community College; Dr. Robert E. Parilla, Montgomery Community College; Dr. Robert C. Schleiger, Chesapeake College; Mr. Charles G. Tildon, Community College of Baltimore; Dr. Sheila M. Tolliver, Governor's Aide for Education; and Mr. Raymond J. Wright, Department of Budget and Fiscal Planning. Revised drafts were discussed by the Maryland Council of Community College Presidents. In the entire process, five drafts of the study were written.

The study is organized as follows: the history of community college funding is reviewed, and the benefits of community colleges are examined. Then three critical issues, need for additional funds, local wealth and State funding mechanism are analyzed. Seven recommendations are made.

B. COMMUNITY COLLEGE FUNDING IN MARYLAND

The movement to establish a system of locally controlled public two-year colleges in Maryland occurred immediately following World War II. With the support and encouragement of the State Board of Education and the State Superintendent of Schools, Montgomery and Hagerstown Junior Colleges began operation in 1946. One year later, Baltimore Junior College was established by the Baltimore City school system.

Beyond the first three community colleges, eight additional community colleges were created between 1946 and 1961. Much of the impetus for this expansion came about through recommendations of a series of study groups, including the Marbury, Pullen, and Curlett Commissions. From 1961 to 1970, five more community colleges were established, and in 1975 the seventeenth community college came into being on Maryland's Lower Eastern Shore.

While no additional community colleges have been established in Maryland since 1975, efforts to increase geographical accessibility have continued. As an option to establishment of a community college, branch campuses have opened in three counties. These branch campuses, operated under contract with an existing community college, have been encouraged as a cost-effective mechanism for assessing citizen interest while offering a core of needed programs. With the branch campuses and the addition of another county to one of the State's two regional community colleges, community college services currently are offered locally in twenty-three of the State's twenty-four political subdivisions. Only Somerset County has elected not to provide such services.

At the outset, community colleges largely performed a transfer function in the classical sense of the early "junior colleges." Little or no emphasis was placed either on career programs or continuing education. Over the years, this has changed drastically.

Occupational education has become one of the primary focuses of community college service, with over 49 percent of the student body being enrolled in occupational programs in Fall 1983. Registrations in continuing education currently total 192,000, and many of these courses also are designed to have a specific occupational focus.

These factors in the broadening of the community college mission have had a major impact on revenues and expenditures. Many career programs, especially those in the allied health area, require highly trained faculty, small class size mandated by specialized accreditation, a large number of laboratory hours, high equipment costs, and use of clinical sites.

Maryland Funding Structure

From the outset, the State has shared with the local political subdivisions the responsibility of funding community colleges. This State-local partnership is unique in higher education to the community college system and distinguishes these institutions from all other Maryland colleges and universities.

State support began as a system of flat grants to each community college. However, since 1949 State aid has been distributed on a per-student formula basis. Up

until 1969, the general principle (previously developed in and identified with New York community colleges) remained that the State, political subdivisions, and students should each contribute one-third of the costs in equal shares.

However, in 1969, the respective theoretical shares were shifted to 45-30-25 percents. In 1970, the concept of a full-time equivalent student (30 credit hours of instruction over the period of a fiscal year) was first placed in the statute. Since 1971, the statute has called for a goal of 50-28-22 percent distribution from the State, the political subdivisions, and students, respectively.

In Maryland the statutory formula contains both theoretical formula for proportional shares and a dollar maximum ("ceiling") for the State share. Because the maximum amount per full-time equivalent (FTE), payable by the State, consistently has been less than half of the average per-FTE operating costs statewide, the effect of the provision is that the actual State share has never attained the 50 percent goal targeted in the statute.

A separate formula was established for the regional colleges in 1972. Later the provision was expanded to include small, rural colleges. That formula provides for a different statutory base, a higher (55 percent) State share, and different percent shares for all sources of support. In the regional/small college formula, the State pays up to 55 percent, the county or counties generally 32 percent, and the students through tuitions and fees 13 percent. The rationale for a higher aid rate for small and regional colleges was to help defray the fixed costs associated with a small college and to encourage counties to establish regional colleges.

While both formulas have been adjusted over the ensuing years, the maximum rate of State aid has been adjusted more frequently than that for colleges on the "general" formula. When the regional/small college formula was created, a maximum of $875 per FTE was established at the time that the general formula maximum was set at $700. Changes were as follows: (In each case, the year of enactment is shown: followed by general rate, and regional/small rate.) 1972: $700, $1100; 1975: $700, $1300; 1977: $800, 1485; 1980: $850, $1540; 1981: $878, $1619; 1984: $910, $1720.

During the 1981 legislative session, the funding formula for community colleges was supplemented on a one-year basis with a $200,000 grant to each community college board of trustees and an additional $10 for each part-time credit student. The rationale for the flat grant was to help support the fixed operating costs that are especially troublesome for mid-size colleges. Small colleges already receive a higher aid rate and larger colleges are assisted by economies of scale. The idea behind the amount per part-time student was to help provide for the costs associated with a rapidly increasing part-time student population. The FTE formula was implemented when most students attended full-time. Many services, such as registration and advising, must be provided on a headcount basis. The Governor proposed to the 1982 General Assembly that these changes be made permanent, and the proposal was enacted during that session.

During the course of the 1984 legislative session, the General Assembly, again acting upon the recommendation of the Governor, increased the aid rate per full-time equivalent student, the annual flat grant, and the grant per part-time credit student. At the same time, the Legislature limited the State contribution toward the employer costs of Social Security. A more detailed discussion of the Maryland funding structure appears throughout this study.

The State also has contributed since 1961 to the costs of community college capital construction. The State participates in 50 percent of the cost of eligible space or the percent State share of basic public school aid, whichever proportion is greater.

As part of the final report of the Scanlan Task Force in 1981, the State Board for Community Colleges was requested to study the needs being met by community colleges in the area of remedial instruction. In its report, the Board concluded, in addition to its recommendations, that a special study of the situation faced by the Community College of Baltimore be conducted. As adopted by the Board, that study recommended in 1983 to the Governor that consideration be given to establishing an additional grant of $150 per FTE for any institution located in a political subdivision of a certain population density. The proposal was not acted upon favorably by either the Governor or General Assembly.

Changes in Share of Support

While the State has historically been supportive of community colleges in Maryland, the past five years have seen a decline in the State share of support for community colleges (Table 1). The amount paid per FTE by student tuition increased by 42 percent between FY 1978 and FY 1983. Community college students in Maryland have traditionally paid higher tuition than the national average for community college students; in FY 1983, tuition in Maryland community colleges was 23 percent above the national average. County/city governments have increased their per FTE contribution by 35 percent in the past five years, a slower rate of increase than the student share. Even though the State's contribution has increased by about $15 million in five years, enrollment increased during that period, and the increase in the State's share per FTE has only been 13 percent.

Table 1

GROWTH IN COMMUNITY COLLEGE FUNDING
(BY SOURCE)

	FY 1978		FY 1983		Percent Change in Amount per FTE
	Total	per FTE	Total	per FTE	FY 1978 - FY 1983
Student share	$30,389,318	$558	$50,611,484	$790	42%
Local share	34,832,264	640	55,496,122	866	35
State share*	45,593,824	838	60,623,379	946	13
CPI	188		299		59

* Does not include amounts contributed for Social Security, TIAA/CREF, and State retirement systems.

C. THE BENEFITS OF MARYLAND COMMUNITY COLLEGES

Benefits of A College Education

Who benefits from the programs and services of Maryland community colleges? Certainly the students receive benefits from their educational attainments. Four individual benefits are (1) cognitive learning, (2) emotional and moral development, (3) citizenship and economic productivity, and (4) family life, consumer behavior, leisure, and health activities (Bowen, 1977).

Clearly there are also societal benefits, which include (1) examination and transmission of cultural and social values; (2) development and maintenance of professional values and expertise; (3) provision of fundamental research; (4) service as the intellectual center for social criticism, public policy analysis, and cultivation of arts and literature; and (5) provision of economic returns to the community by attracting other enterprises and by institutions themselves serving as major employers (Bowen, 1977).

In terms of the individual benefits, the student may reasonably expect "significantly greater lifetime income, greater productivity and attractiveness to employers, and the improved lifestyle of college graduates as opposed to non-graduates." However, the other side of the coin is that "society is the real beneficiary of higher education because college educated persons are more open-minded, critical and socially responsive." It has been shown, for example, that, "the individual's economic productivity is shared by society in the form of higher taxes paid." Further, "the college educated occupy fewer jail cells, have fewer auto accidents, are healthier, and have lower absentee rates from their jobs" (Leslie, 1972).

Benefits in Maryland

Maryland's community colleges have provided unprecedented access to higher education for the State's citizens. By lowering the costs of attendance for students and providing wide geographic accessibility, the community colleges have opened the door to educational opportunity for many citizens who otherwise would not have been able to pursue a college education.

More specifically, Maryland community colleges have provided many benefits to the people of Maryland, not only in terms of the value of the education afforded to students but also in the diversity of programs, activities, and services offered throughout the sponsoring subdivisions. Through statewide and local economic impact studies, the value of community colleges to the communities they serve has been thoroughly documented in quantitative terms.

These economic impact studies show that community colleges promote economic development in two ways. First, they develop human capital through the cultivation of student talent and the refinement of skills possessed by those currently within the State's work force. This results in higher earnings, greater consumption, and larger Maryland tax collections through income tax, sales tax, and real property tax.

While the human capital return is a long-term investment in a community's future, community colleges also have a more immediate economic impact on the State and local economies. Since most purchases are made through Maryland vendors and most employees reside within Maryland, the funds expended recirculate through the State's economy. It has been demonstrated at the statewide level, for example, that at least 60 cents of every dollar spent by the State, the local jurisdictions, federal government, and students for community colleges in Maryland is returned to the State's economy.

Maryland community colleges have emerged in 1984 as high quality, accessible institutions available to students at reasonable cost. The role of the community colleges in providing services to adults for training and retraining has been expanded rapidly due to economic conditions facing the State.

In being a vital economic development resource for Maryland, community colleges have worked cooperatively with a vast spectrum of the State's business and industry community. As the need for more highly-skilled technicians continues to increase in response to new and expanding industries, community colleges stand ready to provide even greater service.

Community colleges in this State have been vitally concerned with the assessment of outcome measures demonstrating what happens to students who leave the institutions. Cooperatively with the colleges, the State Board has developed and maintained a sophisticated system of student follow-up studies.

The results of recent follow-up studies are summarized below.

Occupational programs

49 percent of the students are enrolled in occupational programs.
74 percent of the students who had a career development goal are employed full-time.
83 percent of the students are employed in Maryland.
$15,702 was the average salary of community college graduates in 1983.

Transfer programs

45 percent of the students are enrolled in transfer programs.
76 percent of the students who had a transfer goal are continuing their education at a four-year college.
78 percent of the students lost three credits or less upon transfer.
55 percent of the students earned a grade point average of 3.00 or higher at the transfer college (4.00 is the maximum).

D. CRITICAL COMMUNITY COLLEGE ISSUES

While there are many potential issues that could be analyzed, three have been identified as critical for Maryland community colleges in the coming years: the need for additional funds, local wealth, and the State funding mechanism.

Need for Additional Funds

Community colleges in Maryland are seriously underfunded by the State of Maryland. Evidence for this condition comes from a variety of sources: declining State share of support, declining State support in relation to public four-year colleges, a national study of community college operating costs, and a documented need for new instructional equipment. Furthermore, the role of community colleges in job training and economic development must be properly supported in order to assist in the human and economic development of the State.

Declining State share of support - The State share of support for the operating expenditures for Maryland community colleges has dropped from 45 percent in FY 1976 to 38 percent in FY 1983. Table 2 shows the amount that the State would have provided to community colleges if the FY 1976 level of support had been maintained over that interval. The shortfall for FY 1983 alone is $11,145,396, and the cumulative total for all seven years is $47,102,136. Among the three sources of community college revenue, State aid has reflected the slowest growth (Table 1).

Decline in relation to four-year colleges - As institutions of higher education, community colleges share many of the same characteristics of the public four-year colleges and universities in Maryland. Higher education institutions are labor intensive and require a high proportion of expenditures for salaries and fringe benefits. Much of the cost of operation, for example for learning resources and the physical plant, are fixed costs and do not fluctuate appreciably in relation to student enrollment. Between FY 1976 and FY 1983, State funds for State colleges and universities increased by 59 percent per FTE student. In the same interval, State funds for community colleges increased by 31 percent per FTE. Table 3 shows the amount that the State would have provided to Maryland community colleges if support for community colleges were increased at the same rate as that for State colleges and universities. The shortfall for FY 1983 alone is $13,707,556, and the cumulative total for all years is $45,500,916.

Comparison with national average - The National Association of College and University Business Officers recently completed a study, "Comparative Financial Statistics for Public Community and Junior Colleges, 1982-1983." The study reviewed the finances of 520 institutions from across the nation. The study reported that the median expenditures per FTE student were $2,994. In the same fiscal year, the expenditures per FTE in the Maryland community college system were $2,562. If community colleges in Maryland were operating at the national median, the Maryland community college expenditures would be $432 per FTE higher and, assuming a 50 percent State share of the costs of operation in accordance with State law, the additional State aid required to bring Maryland to the national median would be $13,835,664.

Table 2

FUNDING NEEDS RELATED TO PREVIOUS STATE SUPPORT
MARYLAND COMMUNITY COLLEGES
FISCAL YEARS 1976 - 1983

	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983
Community college cost per FTE	$ 1,665	$ 1,802	$ 1,903	$ 2,103	$ 2,195	$ 2,353	$ 2,452	$ 2,562
State share of cost per FTE at FY 1976 level	$ 742	$ 804	$ 849	$ 938	$ 979	$ 1,049	$ 1,094	$ 1,143
Actual State share of cost per FTE	$ 742	$ 733	$ 824	$ 818	$ 836	$ 871	$ 988	$ 969
Shortfall per FTE	-	$ 71	$ 25	$ 120	$ 143	$ 178	$ 106	$ 174
Community college State funded FTE	52,634	53,794	54,430	52,849	55,100	56,832	60,735	64,054
Annual community college shortfall		$ 3,819,374	$ 1,360,750	$ 6,341,880	$ 7,880,730	$10,116,096	$ 6,437,910	$11,145,396

CUMULATIVE COMMUNITY COLLEGE SHORTFALL FY 1977 - FY 1983 = $47,102,136

NOTE: FY 1976 percentage of 44.6 percent applied to following years' cost per FTE.

Table 3

MARYLAND COMMUNITY COLLEGE FUNDING NEEDS RELATED TO SUPPORT FOR STATE COLLEGES AND UNIVERSITIES * FISCAL YEARS 1976 - 1983

	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	Percent Change FY 1976 - FY 1983
State funds per FTE State colleges and universities	$ 1,481	$ 1,533	$ 1,597	$ 1,722	$ 1,977	$ 2,167	$ 2,238	$ 2,360	59%
State funds per FTE community colleges if increased at same rate	$ 742	$ 768	$ 800	$ 863	$ 991	$ 1,086	$ 1,121	$ 1,183	
Community college State funds per FTE actual shortfall	$ 742	$ 733	$ 824	$ 818	$ 836	$ 871	$ 988	$ 969	31%
Community college FTE (State)	52,634	53,794	54,430	52,849	55,100	56,832	60,735	64,054	
Community college shortfall		$ 1,882,790	($ 1,306,320)	$ 2,378,205	$ 8,542,050	$12,218,880	$ 8,077,755	$13,707,556	

CUMULATIVE COMMUNITY COLLEGE SHORTFALL FY 1977 - FY 1983 = $45,500,916

* State colleges and universities governed by the Board of Trustees of the State Universities and Colleges.

Need for new equipment - Funding is needed to address the critical need for new and updated instructional equipment in Maryland community colleges. Table 4 shows the instructional equipment needs by reason for need; the total amount necessary to improve instructional equipment is $8,920,490. The need for such equipment was documented in a recent State Board for Community Colleges study, a summary of which is given in the Appendix.

The need for new equipment is concentrated in the program areas whose graduates will be working in occupations that have and will be undergoing rapid technological advances. The identified equipment needs for word processors, electronic calculators, computer equipment, diagnostic equipment, tools, scientific laboratory equipment, engineering, and mechanical technology laboratories make clear the areas and the investment that will be necessary to keep the training of the Maryland work force relevant to the needs of the Maryland economy. Modern technological progress causes early obsolescence of laboratory equipment and colleges do not have adequate funding to address this problem.

Table 4

LABORATORY EQUIPMENT NEEDS
BY REASON FOR NEED
IN MARYLAND COMMUNITY COLLEGES
AS OF JUNE 30, 1983

Reason for Need	Amount
Replace obsolete equipment	$ 870,394
Replace worn out equipment	686,222
Course/program upgrade	2,461,853
New technology	2,753,438
Multiple reasons	1,429,225
Other	711,958
Not listed	7,400
TOTAL	$8,920,490

Support of human and economic development. As outlined in the previous chapter, Maryland must remain competitive in attracting new business and industry and must be successful in keeping existing companies vital and growing. One key element in economic development is the existence of a strong educational system. Community colleges provide skilled technicians and mid-level managers essential to good business.

Based upon a declining State share of support, declining support in relation to public four-year colleges, a national study of community college operating costs, and the need for new instructional equipment, the State Board for Community Colleges recommends that State aid be increased by $13 million in FY 1986.

RECOMMENDATIONS:

The amount of the annual grant should be increased by $270,000 per board in FY 1986.

The amount of State aid per FTE should be increased by $120 per FTE in FY 1986 and by $315 per FTE at the four small and regional colleges.

The amount of State aid per part-time student should be increased by $10 per part-time student in FY 1986.

Local Wealth

In the past few years several community colleges have encountered severe financial problems and, citing the inability of the local government to fund their colleges at an adequate level, have requested special State support. The special conditions of some political subdivisions include:

- High unemployment,
- Low personal income,
- High proportion of elderly citizens,
- Low educational attainment,
- Greater need for public housing, and
- Greater need for health care.

The above factors are not unrelated to each other but rather are part of a cycle of disadvantage. The cycle often begins with an unemployment rate that is above the State average. The lack of employment leads to low personal income in the political subdivision, which can be expressed as lower family income and a greater percentage of persons below the poverty level. Declines in personal income lead to lower tax revenues for the county/city government, which is expected to provide more services, such as housing and health care. The same irony applies to the community college (viewed as a way out of economic disadvantage), which is expected to do more when it faces greater problems. The consequences for the community college in a relatively poor political subdivision include slow or no growth in local appropriations and a higher proportion of students applying for student financial aid. Administrative costs to the college must rise in order to process the increased volume of student aid forms.

Another consequence in subdivisions with a history of economic problems is that educational attainment in secondary schools is often degraded. The student attendance rate and the rate of promotion are often lower, leading to a higher proportion of adults without a high school diploma. This means that the college needs to mount an expanded program of remedial education in order to provide educational opportunity to all citizens.

To what extent are financial problems of community colleges related to local wealth? For the purpose of this study, a college is considered to have financial problems if it has low operating costs per full-time equivalent (FTE) student. Table 5 presents information about local wealth and operating costs at Maryland community colleges. Wealth, as defined in the Civiletti Task Force to Study the Funding of Public Education, is a function of real property base, public utility operating property, personal property base, and net taxable income. Local wealth and operating costs per FTE are not highly related. Some of the affluent political subdivisions have higher operating costs, but some of the highest college operating costs are in relatively poor subdivisions. Statistically, the correlation between wealth per capita and operating costs is .25*. Worcester and Wicomico Counties are the third highest in combined wealth, but operating costs are only the tenth highest at Wor-Wic Tech. Conversely, Garrett County is relatively poor (14th) and yet Garrett Community College has the second highest operating costs. By contrast, the correlation between the wealth per pupil factor and per pupil current expenditures in elementary and secondary schools is .78 (Table G in Appendix).

Why is there a low correlation between community college operating costs and local wealth? Operating costs are influenced by other variables, including State aid, local effort, and tuition policy. The influence of each of these variables upon operating costs are examined below.

Differences in State aid - One reason for a low correlation between operating costs and local wealth is the different State aid formula that applies to four small, rural colleges: Cecil, Chesapeake, Garrett, and Wor-Wic Tech. In FY 1985, these four colleges are eligible for up to $1,720 per FTE in State aid versus a maximum of $910 per FTE at the other colleges. Colleges on the lower aid rate also receive a flat grant of $270,000 and $14 per part-time student. Table 5, however, shows that the higher operating costs in poorer political subdivisions are not the exclusive result of a higher State aid rate. Three of the four local governments receiving $1,720 in State aid provide more than the State average for their local contribution, and Cecil and Garrett Counties rank second and fourth in local contributions.

Differences in local effort - A second reason for a low correlation between operating costs and local wealth is difference in local effort. One way to look at local effort is to study local expenditures per FTE (Table 5). Political subdivisions vary widely on this dimension, from a low of $503 per FTE in the City of Baltimore to $1,600 at Dundalk. However, some wealthy subdivisions contribute small amounts while some poor subdivisions contribute heavily. Another approach is to analyze the proportion of local budgets set aside for the community college (Table 5). Again there are considerable variations among the local subdivisions. Differences in proportion of local budget allocated to the community colleges seem somewhat related to the number of people in the political subdivision.

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* Correlation is a measure of the degree of association that exists between two variables. Correlation can range from +1, representing a perfect direct relationship to -1, representing a perfect inverse relationship. For example, a correlation of .80 between high school grades and SAT scores means that it is quite likely that a student with an "A" average will also have a high SAT score. A correlation of 0 means that there is no association between the two variables.

Table 5

VARIABLES RELATED TO THE ISSUE OF LOCAL WEALTH
FISCAL YEAR 1983

College	Operating Costs per FTE		Local Expenditures per FTE		Wealth per capita[1]		Proportion of Local Budget to College		Tuition per Full-time Student[2]		Proportion of Students Receiving Pell Grants	
	Amount	Rank	Amount	Rank	Amount	Rank	Percent	Rank	Amount	Rank	Percent	Rank
Allegany	$ 2,540	11	$ 753	11	$10,284	16	4.36%	2	$656.00	7	37%	2
Anne Arundel	2,632	8	871	10	14,967	8	1.48	14	780.00	2	3	17
Baltimore	1,982	17	503	17	8,748	17	.26	17	600.00	12	49	1
Catonsville	2,526	13	916	6	16,173	4	2.54	6	604.00	9	10	9
Cecil	3,473	1	1,181	2	11,409	15	3.40	4	510.00	15	14	6
Charles	2,641	7	721	12	15,688	7	1.92	11	750.00	3	6	13
Chesapeake	2,742	5	891	8	14,426	10	1.76	12	440.00	17	6	13
Dundalk	2,842	4	1,600	1	16,173	4	2.54	6	604.00	9	18	5
Essex	2,556	9	987	5	16,173	4	2.54	6	604.00	9	11	8
Frederick	2,298	16	620	14	14,626	9	2.11	9	528.00	14	5	16
Garrett	2,995	2	1,166	4	11,688	14	5.88	1	480.00	16	25	4
Hagerstown	2,306	14	706	13	11,984	13	2.79	5	630.00	8	12	7
Harford	2,534	12	897	7	13,468	12	3.43	3	660.00	5	9	11
Howard	2,681	6	874	9	20,595	2	2.03	10	728.00	4	6	13
Montgomery	2,979	3	1,176	3	24,440	1	1.65	13	870.00	1	10	9
Prince George's	2,303	15	551	15	14,228	11	.83	15	660.00	5	7	12
Wor-Wic Tech	2,548	10	542	16	17,109	3	.68	16	570.00	13	27	3
Weighted Average	$ 2,562		$ 866		$15,107		1.33%		$604.00[3]		13%	

FTE = full-time equivalent student

1 Wealth is a function of real property base, public utility operating property, personal property base, and net taxable income.

2 Tuition for a student taking 15 credits in each of two semesters.

3 Median tuition.

Differences in tuition policy - A third possible reason for a low correlation between operating costs and local wealth is tuition policy. Table 5 shows tuition charges for a student taking 15 credits in each of two semesters. There is considerable variation, with the highest tuition being nearly twice the lowest tuition. There is little relationship between tuition and operating costs. Anne Arundel Community College ranks second in tuition and eighth in operating costs. On the other hand, Cecil Community College ranks first in operating costs and fifteenth in tuition. By State law, the student share of operating costs in small and regional colleges is much lower than that for other community colleges.

Returning to the initial question, to what extent are financial problems of community colleges related to local wealth? What do the data in Table 5 mean? While there is no clear and consistent link between operating costs and local wealth, two conclusions can be made. First, Maryland has some poor political subdivisions and has some community colleges that are operating with inadequate funding. Second, there are wide variations in the local contributions and tuition policies.

Beyond an examination of the data related to local wealth, a connection can be made between the principles used in funding public elementary-secondary schools and funding for community colleges. There are, however, some differences in the circumstances related to community colleges and public schools.

- Public schools have a rigidly defined clientele, but community colleges do not.
- Public schools have considerable similarity in curriculum, while community colleges differ widely in instructional programs.
- Equity in public school finance assumes that all students in the same district receive the same education and then compares differences in socioeconomic characteristics among districts. However, not all areas of the State are covered by Maryland community colleges, and not all persons who are eligible to attend community colleges actually enroll.
- Public schools do not charge tuition.
- Contrary to the situation with public schools, there are public educational institutions that compete directly with the community colleges (Garms, 1981).

The State Board for Community Colleges has an interest in creating a strong, quality community college system. While there is no constitutional mandate to provide universal access to community college education as there is for elementary-secondary education, part of the community college mission is to provide a quality college education for all who can profit from it.

The State Board for Community Colleges also has an interest in the establishment of funding policies that are fair and equitable for all colleges. While a system of equalization of community college funding is complicated and has a variety of

arguments for and against, it is generally believed necessary to address the special needs of community colleges in poorer subdivisions by providing funds based upon the characteristics of the students served at the colleges. The number of students requiring financial aid is a clear measure of these considerations. Not only would such an arrangement address the special needs of the colleges in subdivisions least able to support a community college, but also the approach would help to defray the additional administrative costs to operate expanded counseling and student financial aid offices. The State Board for Community Colleges has determined that the following recommendation is a reasonable way to address the above issues.

RECOMMENDATION:

State aid should be provided in the amount of $150 per low income student enrolled in the previous fiscal year at each community college. A low income student is defined as a student who received a federal Pell grant during the previous fiscal year.

State Funding Mechanism

In the last ten years, headcount credit enrollment in Maryland community colleges increased by 40,000 students, a 62 percent increase; during that time, the number of high school graduates reached all-time highs. Figure 1 shows the number of projected Maryland high school graduates for the years 1983 to 2000. Through 1994, there will be a 30 percent decline in the number of high school graduates. Community colleges enroll a large proportion of adults, a condition that will soften the impact of the declining population of high school graduates.

Table 6 shows the projected credit enrollment for FY 1985 and FY 1990. The number of credit hours generated due to credit courses is expected to be about 4 percent lower in 1990 than 1983. Even though community colleges will continue to serve an increasing proportion of adults and will continue to increase their work in customized training programs for business and industry, it is clear that the era of substantial, annual enrollment growth has ended.

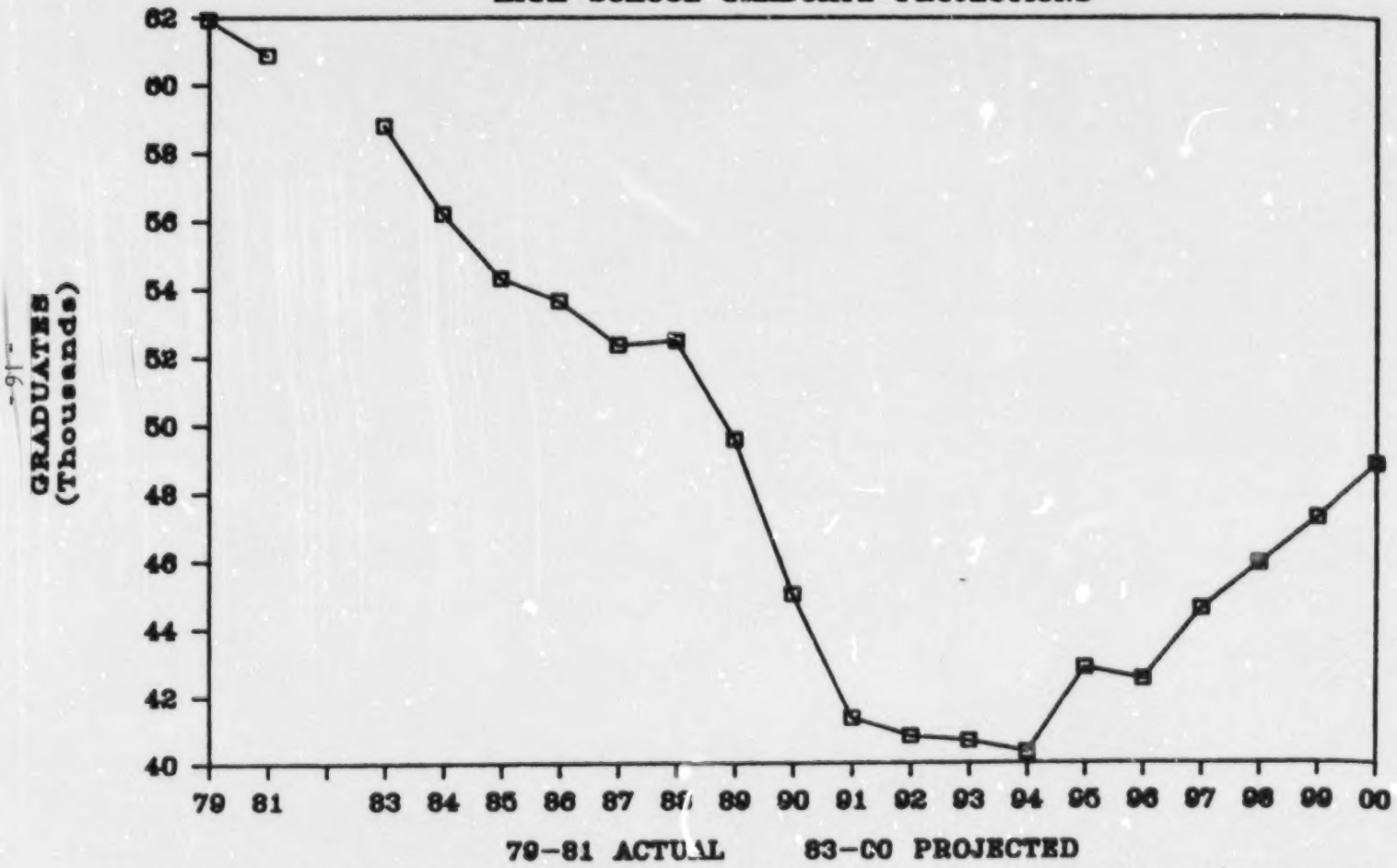
What does it mean to have a decade of stable or declining enrollment? Two of three sources of revenue, tuition and State aid, are directly related to enrollment, and community colleges have been able to stay financially healthy because enrollment growth produced more funds. If the next ten years bring no enrollment growth, the State aid rate will need to be increased regularly to support a quality community college system. Table 7 shows the expected loss of State aid in FY 1985 due to a difference between State aid provided in the State budget and State aid based upon currently anticipated enrollment.

Even if the number of students served does not grow, there are still financial needs to cover instructional equipment, promotions, merit increases, new instructional program development, increasing utility costs, maintenance and repairs, and professional development. In the past, the State aid rate for community colleges has been increased only about every three years. If such a trend were to continue, community colleges would be strangled financially, and quality education would be severely threatened.

Figure I

MARYLAND – 1983–2000

HIGH SCHOOL GRADUATE PROJECTIONS



Source: High School Graduates: Projections for the Fifty States (1982-2000), Western Interstate Commission for Higher Education.

Table 6

CREDIT ENROLLMENT PROJECTIONS
MARYLAND COMMUNITY COLLEGES
FALL 1983, 1985, AND 1990

Age Group	1983 Population	Fall 1983 Participation Rate	Fall 1983 Actual Students	Fall 1983 Average Credit Load	Fall 1983 Credit Hours	Projected 1985 Population	Fall 1985 Participation Rate	Fall 1985 Estimated Students	Fall 1985 Average Credit Load	Fall 1985 Estimated Credit Hours	Projected 1990 Population	Fall 1990 Participation Rate	Fall 1990 Estimated Students	Fall 1990 Average Credit Load	Fall 1990 Estimated Credit Hours	Change in Credit Hours 1983-1990
15-19	381,441	5.946	22,683	11.18	253,596	365,727	5.946	21,746	11.18	243,120	305,719	5.946	18,178	11.18	203,230	-50,366
20-29	775,122	5.938	46,026	7.74	356,241	782,852	5.938	46,486	7.74	359,802	766,169	5.938	45,495	7.74	352,131	- 4,110
30-39	700,628	2.928	20,513	5.52	113,232	737,289	2.928	21,588	5.52	119,166	781,810	2.928	22,891	5.52	126,358	+13,126
40+	1,549,623	0.942	14,595	4.47	65,240	1,595,350	.942	15,028	4.47	67,175	1,783,354	.942	16,799	4.47	75,092	+ 9,852
Other[1]	890,039	.083	743	4.02	2,987	868,886	.083	725	4.02	2,915	898,404	.083	750	4.02	3,015	+ 28
Total	4,296,853		104,560		791,296	4,350,104		105,573		792,178	4,535,456		104,113		759,826	

[1] Actual and estimated students include "age not reported" and 14 and under age group.

Table 7

EXPECTED STATE AID LOSSES
DUE TO ENROLLMENT DECLINE
MARYLAND COMMUNITY COLLEGES
FISCAL YEAR 1985

College	State Aid provided in State Budget	Expected State Aid under Current Projections	Increase/ (Decrease) in amount Received
Allegany	$ 2,245,050	$ 1,970,720	$ (274,330)
Anne Arundel	5,804,130	5,772,000	(32,130)
Baltimore	6,420,900	6,598,000	177,100
Catonsville	7,613,250	7,249,250	(364,000)
Cecil	1,611,640	1,634,000	22,360
Charles	2,344,912	2,363,840	18,928
Chesapeake	2,129,360	2,046,800	(82,560)
Dundalk	2,919,120	2,975,400	56,280
Essex	6,355,560	6,355,560	0
Frederick	2,095,810	2,049,400	(46,410)
Garrett	1,087,040	1,066,400	(20,640)
Hagerstown	1,951,750	1,938,800	(12,950)
Harford	3,369,950	3,046,550	(323,400)
Howard	2,620,670	2,614,300	(6,370)
Montgomery	11,452,500	10,770,000	(682,500)
Prince George's	9,221,782	8,868,702	(353,080)
Wor-Wic Tech	1,224,640	1,204,000	(20,640)
TOTAL	$70,468,064	$68,523,722	$(1,944,342)

Table 8 shows the result of infrequent increases in the aid rate for community colleges. State aid per FTE to the State colleges and universities has increased 59 percent in seven years, while State aid for community colleges has increased only 31 percent.

State aid to community colleges is presently based upon current year enrollment. In a period when enrollment is declining, such a mechanism creates serious planning and management problems. Having built a budget using the best possible projections, a college may learn in September that two of three sources of revenue are down for the current year. There is no time to adjust the capability of the college to the new condition. The State funding mechanism must be changed so that colleges will have a firm idea of their State aid revenue for current year operations.

The community college funding mechanism, which has served the State so well in a period of strong enrollment growth, needs to be revised in an era of stable or declining enrollment if quality is to be maintained.

For these reasons, the State Board for Community Colleges recommends the following revisions to the State community college funding mechanism.

RECOMMENDATIONS:

After FY 1986, the annual grant, aid per FTE, aid per part-time student, and low income student funds would be increased by the same percentage as the increase in the State's general fund per FTE student appropriation to the public four-year institutions in Maryland for the previous fiscal year.

State aid per FTE, per part-time student, and per low income student would be based upon enrollment in the prior fiscal year or the average of the previous three fiscal years, whichever is greater.

Local effort must be maintained in order to receive low income student funds. The State Board for Community Colleges will review the college budgets and will not pay low income student funds to any college when the total local contribution is less than that in the previous fiscal year.

Table 8

STATE GENERAL FUNDS PER FULL-TIME EQUIVALENT STUDENT
MARYLAND HIGHER EDUCATION

Institution	Dollars per FTE FY 1976	FY 1980	FY 1983	Percentage Increase FY 1976 - FY 1983
State-aided Independent Institutions	$ 233	$ 394	$ 494	112%
Morgan State University	1,653	2,697	3,379	104
University of Maryland-Baltimore City	6,725	9,277	11,452	70
State Universities and Colleges	1,481	1,977	2,360	59
University of Maryland	1,864	2,359	2,942	58
St. Mary's College of Maryland	2,107	2,722	3,050	45
Community Colleges	742	836	969	31
Consumer Price Index	166.2	232.7	298.8	80

FTE = full-time equivalent

Source: State Board for Higher Education.

E. SUMMARY OF RECOMMENDATIONS

Need for Additional Funds

The amount of the annual grant should be increased by $270,000 per board in FY 1986.

The amount of State aid per FTE should be increased by $120 per FTE in FY 1986 and by $315 per FTE at the four small and regional colleges.

The amount of State aid per part-time student should be increased by $10 per part-time student in FY 1986.

Local Wealth

State aid should be provided in the amount of $150 per low income student enrolled in the previous fiscal year at each community college. A low income student is defined as a student who received a federal Pell grant during the previous fiscal year.

State Funding Mechanism

After FY 1986, the annual grant, aid per FTE, aid per part-time student, and low income student funds would be increased by the same percentage as the increase in the State's general fund per FTE student appropriation to the public four-year institutions in Maryland for the previous fiscal year.

State aid per FTE, per part-time student, and per low income student would be based upon enrollment in the prior fiscal year or the average of the previous three fiscal years, whichever is greater.

Local effort must be maintained in order to receive low income student funds. The State Board for Community Colleges will review the college budgets and will not pay low income student funds to any college when the total local contribution is less than that in the previous fiscal year.

Table 9 gives the estimated fiscal impact of all recommendations for each college.

Table 9

PROPOSED DISTRIBUTION OF STATE AID
MARYLAND COMMUNITY COLLEGES
FISCAL YEAR 1986

College	Projected[1] FY 1985 FTE Enrollment	Total State Aid under Current Projections FY 1985[2]	Proposed				Total New Funds FY 1986	Current State Aid plus Proposed State Aid
			New Annual Grant Funds	New Funds per FTE[3]	New Part-time Student Funds[4]	New Low Income Student Funds[5]		
Allegany	1,852	$ 1,970,720	$ 270,000	$ 222,240	$ 11,000	$ 132,150	$ 635,390	$ 2,606,110
Anne Arundel	5,900	5,772,000	270,000	708,000	95,000	49,500	1,122,500	6,894,500
Baltimore	6,800	6,598,000	270,000	816,000	100,000	688,500	1,874,500	8,472,500
Catonsville	7,650	7,249,250	90,000	918,000	141,250	180,000	1,329,250	8,578,500
Cecil	950	1,634,000	-	299,250	-	34,200	333,450	1,967,450
Charles	2,200	2,363,840	270,000	264,000	65,600	41,400	641,000	3,004,840
Chesapeake	1,190	2,046,800	-	374,850	-	20,100	394,950	2,441,750
Dundalk	3,100	2,975,400	90,000	372,000	46,000	89,100	597,100	3,572,500
Essex	6,696	6,355,560	90,000	803,520	123,000	180,750	1,197,270	7,552,830
Frederick	1,900	2,049,400	270,000	228,000	36,000	28,350	562,350	2,611,750
Garrett	620	1,066,400	-	195,300	-	24,300	219,600	1,286,000
Hagerstown	1,800	1,938,800	270,000	216,000	22,000	49,350	557,350	2,496,150
Harford	2,985	3,046,550	270,000	368,520	43,000	64,800	746,320	3,792,870
Howard	2,500	2,614,300	270,000	300,000	49,500	37,800	657,300	3,271,600
Montgomery	11,200	10,770,000	270,000	1,344,000	220,000	304,950	2,138,950	12,908,950
Prince George's	9,200	8,868,702	270,000	1,104,000	161,930	158,850	1,694,780	10,563,482
Wor-Wic Tech	700	1,204,000	-	220,500	-	37,500	258,000	1,462,000
TOTAL	67,243	$68,523,722	$ 2,970,000	$ 8,754,180	$ 1,114,280	$ 2,121,600	$14,960,060[6]	$83,483,782

1 Full-time equivalent students are current revisions by the colleges.

2 FY 1985 State aid under latest enrollment projections. State aid available at enrollment ceiling for community colleges is $70,468,064. Does not include over $16 million contributed for Social Security, TIAA/CREF, and State retirement systems.

3 Based upon an increase of $120 per FTE in FY 1986 ($315 for the four small and regional colleges).

4 Based upon revised part-time student enrollment projections and upon an increase of $10 per part-time student in FY 1986.

5 Based upon the number of students receiving Pell grants in FY 1984 and a rate of $150 per low income student.

6 Proposal is $13,015,718 above amount budgeted for State aid in FY 1985.

Table A

TRENDS IN SHARE OF SUPPORT
MARYLAND COMMUNITY COLLEGES
FISCAL YEARS 1979, 1982, AND 1983

College	FY 1979	FY 1981	FY 1983	Change in Percent FY 1979 - FY 1983
Allegany				
State	41%	35%	35%	- 6
County	24	31	27	+ 3
Tuition	35	31	33	- 2
Anne Arundel				
State	39	37	35	- 4
County	33	39	33	0
Tuition	29	24	33	+ 4
Baltimore				
State	43	39	44	+ 1
City	33	33	25	- 8
Tuition	24	28	31	+ 7
Catonsville				
State	39	36	36	- 3
County	32	35	37	+ 5
Tuition	28	26	26	- 2
Cecil				
State	51	49	44	- 7
County	29	29	34	+ 5
Tuition	18	18	18	0
Charles				
State	46	41	35	-11
County	24	29	25	+ 1
Tuition	22	21	28	+ 6
Chesapeake				
State	49	51	49	0
Counties	28	30	29	+ 1
Tuition	16	14	13	- 3
Dundalk				
State	35	31	30	- 5
County	48	54	55	+ 7
Tuition	15	13	14	- 1
Essex				
State	40	35	35	- 5
County	32	38	38	+ 6
Tuition	28	26	25	- 3

College	FY 1979	FY 1981	FY 1983	Change in Percent FY 1979 - FY 1983
Frederick				
State	35%	33%	42%	+ 7
County	39	37	27	-12
Tuition	26	27	30	+ 4
Garrett				
State	49	50	50	+ 1
County	35	33	34	- 1
Tuition	15	17	14	- 1
Hagerstown				
State	39	36	39	0
County	33	31	27	- 6
Tuition	28	30	32	+ 4
Harford				
State	37	36	37	0
County	32	36	35	+ 3
Tuition	28	26	26	- 2
Howard				
State	36	33	36	0
County	39	37	32	- 7
Tuition	23	28	30	+ 7
Montgomery				
State	28	26	27	- 1
County	36	37	35	- 1
Tuition	33	35	34	+ 1
Prince George's				
State	42	39	38	- 4
County	24	26	24	0
Tuition	31	32	36	+ 5
Wor-Wic Tech				
State	51	51	54	+ 3
Counties	22	22	21	- 1
Tuition	19	24	23	+ 4
Statewide				
State	38	35	35	- 3
Counties	32	35	32	0
Tuition	28	28	30	+ 2

NOTES:

1) State share does not reflect amounts contributed for Social Security and State retirement systems.

2) Percentages do not always total 100 due to rounding and due to slight shifts in other income.

Table B

WEALTH PER CAPITA
MARYLAND COMMUNITY COLLEGES
(BY POLITICAL SUBDIVISION)
FISCAL YEAR 1983

College	Political Subdivision	Local Wealth (x 1000)	Population	Wealth per capita
Allegany	Allegany County	$ 821,367	79,871	$10,284
Anne Arundel	Anne Arundel County	5,732,965	383,041	14,967
Baltimore	Baltimore City	6,722,544	768,489	8,748
Catonsville } Dundalk } Essex }	Baltimore County	10,658,773	659,040	16,173
Catonsville	Carroll County	1,447,699	100,272	14,438
Cecil	Cecil County	701,816	61,513	11,409
Charles	Charles, St. Mary's and Calvert Counties	2,738,198	174,540	15,688
Chesapeake	Caroline, Dorchester, Kent, Queen Anne's, and Talbot Counties	1,777,763	123,232	14,426
Frederick	Frederick County	1,751,973	119,783	14,626
Garrett	Garrett County	317,848	27,194	11,688
Hagerstown	Washington County	1,366,322	114,009	11,984
Harford	Harford County	2,013,994	149,539	13,468
Howard	Howard County	2,608,523	126,658	20,595
Montgomery	Montgomery County	14,298,335	585,034	24,440
Prince George's	Prince George's County	9,492,458	667,149	14,228
Wor-Wic Tech	Worcester and Wicomico Counties	1,664,284	97,273	17,109
None	Somerset County	176,364	19,218	9,177
	Statewide	$ 64,291,239	4,255,855	$15,107

Sources: Wealth data from Department of Fiscal Services for FY 1983. Wealth is a function of real property base, public utility operating property, personal property base, and net taxable income.

Population data from Maryland Department of State Planning, October 1983.

Table C

RELATIONSHIP OF POLITICAL SUBDIVISION WEALTH
TO LOCAL COMMUNITY COLLEGE FUNDING
FISCAL 1983

College	Wealth per capita[1]		Local Aid per FTE[2]	
	Amount	Rank	Amount	Rank
Allegany	$ 10,284	16	$ 753	11
Anne Arundel	14,967	8	871	10
Baltimore	8,748	17	503	17
Catonsville			916	6
Dundalk	16,173	4	1,600	1
Essex			987	5
Cecil	11,409	15	1,181	2
Charles	15,688	7	721	12
Chesapeake	14,426	10	891	8
Frederick	14,626	9	620	14
Garrett	11,688	14	1,166	4
Hagerstown	11,984	13	706	13
Harford	13,468	12	897	7
Howard	20,595	2	874	9
Montgomery	24,440	1	1,176	3
Prince George's	14,228	11	551	15
Wor-Wic Tech	17,109	3	542	16

FTE = full-time equivalent

Sources:

1 Department of Fiscal Services.
Wealth is a function of real property base, public utility operating property, personal property base, and net taxable income.

2 Local aid per FTE is political subdivision contribution for FY 1983 divided by Maryland FTEs.

Table D

PERCENT OF OPERATING BUDGETS OF POLITICAL SUBDIVISIONS
CONTRIBUTED TO MARYLAND COMMUNITY COLLEGES
FISCAL YEAR 1983
(In thousands)

College	Political Subdivision	(1) Political Subdivision Operating Budget	(2) Actual Contribution to Community College[1]	(3) Percent of Operating Budget to Community College (col. 2 ÷ col. 1)
Allegany	Allegany County	$ 31,733	$ 1,382	4.36%
Anne Arundel	Anne Arundel County	322,830	4,773	1.48
Baltimore	Baltimore City	1,248,245[2]	3,218	.26
	Baltimore County[3]	628,468		
Catonsville			6,502	
Dundalk			3,590	
Essex			5,848	
Total		628,468	15,940	2.54
Cecil	Cecil County	29,844	1,014	3.40
Charles	Charles County[4]	40,830	1,586	3.88
Chesapeake	Caroline County	9,678	157	1.62
	Dorchester County	11,600	167	1.44
	Kent County	7,418	118	1.59
	Queen Anne's County	14,709	255	1.73
	Talbot County	12,210	284	2.33
Total		55,615	981	1.76
Frederick	Frederick County	54,943	1,161	2.11
Garrett	Garrett County	11,518	677	5.88
Hagerstown	Washington County	43,500	1,212	2.79
Harford	Harford County	81,560	2,800	3.43
Howard	Howard County	100,329	2,037	2.03
Montgomery	Montgomery County	782,100	12,871	1.65
Prince George's	Prince George's County	664,002	5,527	.83
Wor-Wic Tech	Wicomico County	27,885	225	.81
	Worcester County	20,705	104	.50
Total		48,590	329	.68
Subtotal		4,144,107	55,508	1.34
Catonsville: Carroll Branch	Carroll County	44,191	411	.93
Charles:				
	Calvert County	29,837	113[5]	.38
	St. Mary's County	25,118	143[5]	.57
None	Somerset County	5,315	-	-
TOTAL		$4,248,568	$ 56,175	1.32

1 Source: SBCC-CC-4
2 Information presented represents appropriations rather than expenditures.
3 Excludes Carroll County Branch.
4 Excludes Calvert and St. Mary's Counties.
5 Source: SBCC-CC-5

Source of data for county budgets: These figures represent actual or projected fiscal year expenditures as opposed to budgeted appropriations as contained in the Fiscal 1983-84 Budget & Tax Book, Maryland Association of Counties, Published November 1983.

Table E

PERCENT OF OPERATING BUDGETS OF POLITICAL SUBDIVISIONS CONTRIBUTED TO MARYLAND COMMUNITY COLLEGES

FISCAL YEAR 1984

(In thousands)

College	Political Subdivision	(1) Political Subdivision Operating Budget	(2) Budgeted Contribution to Community College[1]	(3) Percent of Operating Budget to Community College (col. 2 ÷ col. 1)
Allegany	Allegany County	$ 30,100	$ 1,382	4.59%
Anne Arundel	Anne Arundel County	345,894	5,279	1.53
Baltimore	Baltimore City[2]	1,102,395	3,436	.31
	Baltimore County[3]	675,446		
Catonsville			7,234	
Dundalk			3,716	
Essex			6,538	
Total		675,446	17,488	2.59
Cecil	Cecil County	33,071	1,314	3.97
Charles	Charles County[4]	45,509	1,702	3.74
Chesapeake	Caroline County	9,627	180	1.87
	Dorchester County	12,770	148	1.16
	Kent County	7,163	127	1.77
	Queen Anne's County	17,026	286	1.68
	Talbot County	13,759	318	2.31
Total		60,345	1,059	1.76
Frederick	Frederick County	59,582	1,612	2.71
Garrett	Garrett County	11,535	639	5.54
Hagerstown	Washington County	46,018	1,412	3.06
Harford	Harford County	93,014	2,979	3.20
Howard	Howard County	110,005	2,277	2.07
Montgomery	Montgomery County	822,800	13,300	1.62
Prince George's	Prince George's County	610,931	5,427	.89
Wor-Wic Tech	Wicomico County	29,733	300	1.01
	Worcester County	23,289	112	.48
Total		53,022	412	.78
Subtotal		4,099,667	59,718	1.46
Catonsville: Carroll Branch	Carroll County	55,450	416	.75
Charles:				
	Calvert County	33,046	113	.34
	St. Mary's County	26,043	190	.73
None	Somerset County	5,543	-	-
TOTAL		$4,219,749	$ 60,437	1.43

1 Source: SBCC-CC-5

2 Information presented represents appropriations rather than expenditures.

3 Excludes Carroll County Branch.

4 Excludes Calvert and St. Mary's Counties.

Source of data for county budgets: These figures represent actual or projected fiscal year expenditures as opposed to budgeted appropriations as contained in the Fiscal 1983-84 Budget & Tax Book, Maryland Association of Counties, Published November 1983.

FISCAL STRAIN
(BY POLITICAL SUBDIVISION)
FISCAL YEAR 1983

College	Political Subdivision	(1) Expenditures per capita[1]	(2) Wealth per capita	(1÷2) Fiscal Strain	Rank
Allegany	Allegany County	$ 397.30	$ 10,284	.0386	10
Anne Arundel	Anne Arundel County	842.81	14,967	.0563	6
Baltimore	Baltimore City	1,624.29	8,748	.1857	1
Catonsville } Dundalk } Essex }	Baltimore County	953.61	16,173	.0590	3
Cecil	Cecil County	485.17	11,409	.0425	8
Charles	Charles, St. Mary's and Calvert Counties	548.79	15,688	.0350	13
Chesapeake	Caroline, Dorchester, Kent, Queen Anne's, and Talbot Counties	451.30	14,426	.0313	16
Frederick	Frederick County	458.69	14,626	.0314	15
Garrett	Garrett County	423.55	11,688	.0362	12
Hagerstown	Washington County	381.55	11,984	.0318	14
Harford	Harford County	545.41	13,468	.0405	9
Howard	Howard County	792.13	20,595	.0385	11
Montgomery	Montgomery County	1,336.85	24,440	.0547	7
Prince George's	Prince George's County	995.28	14,228	.0700	2
Wor-Wic Tech	Worcester and Wicomico Counties	499.52	17,109	.0292	17
Statewide		$ 998.29	$ 15,107	.0661	

[1] Expenditures from Table D.

Table G

MARYLAND ELEMENTARY AND SECONDARY PUBLIC EDUCATION FINANCE
WEALTH AND EXPENDITURES PER STUDENT
FISCAL YEAR 1982

Political Subdivision	Wealth Per Pupil Factor	Per Pupil Current Expenditures *
Allegany County	0.708	$2,700
Anne Arundel County	0.946	2,669
Baltimore City	0.630	2,631
Baltimore County	1.292	3,236
Calvert County	1.303	2,966
Caroline County	0.539	2,460
Carroll County	0.793	2,316
Cecil County	0.599	2,449
Charles County	0.719	2,641
Dorchester County	0.729	2,825
Frederick County	0.797	2,523
Garrett County	0.641	2,333
Harford County	0.746	2,516
Howard County	1.162	3,007
Kent County	0.965	2,974
Montgomery County	1.704	3,828
Prince George's County	0.925	2,936
Queen Anne's County	0.961	2,689
St. Mary's County	0.685	2,612
Somerset County	0.539	2,665
Talbot County	1.604	2,809
Washington County	0.768	2,642
Wicomico County	0.743	2,556
Worcester County	1.820	3,105
State Weighted Average		$2,922

* Excludes school construction and debt service.

NOTE: The correlation between the wealth per pupil factor and per pupil current expenditures is .78, which is quite high.

Source: Department of Fiscal Services

LABORATORY EQUIPMENT NEEDS IN MARYLAND COMMUNITY COLLEGES AS OF JUNE 30, 1983

In recent years there has been a growing awareness that much of the needed equipment to support the basic science courses, the existing technology programs, and the emerging high technology areas in Maryland community colleges is either old and not particularly relevant or does not exist on the campuses because of the cost to replace or to purchase the needed items. Community college administrators and faculty members have repeatedly warned of laboratory equipment deficiencies. Employer follow-up surveys have indicated that community college graduates in some program areas are not as familiar as they could be with modern state-of-the-art equipment and test instruments. Comments by the Accreditation Board for Engineering and Technology representatives indicate that almost half of the accreditation actions in recent years is for less than the maximum six-year period and that the primary factor is the deteriorating condition of laboratories. For these reasons, the Maryland State Board for Community Colleges in the Spring of 1983 undertook a survey of current equipment needs in Maryland community colleges.

In the survey, each community college was asked to identify equipment it needed, the reason(s) the equipment was needed, the program(s) that would be served by the equipment, and the current cost of the equipment. The colleges returned the reports to the State Board where the data were analyzed.

The colleges identified over 1,000 items of needed laboratory equipment with a total cost of $8,920,490. Table H summarizes the dollar costs of this equipment by instructional program area. Table I summarizes the reasons why the additional equipment is needed. The primary reasons were because of "New Technologies" and to upgrade a course or program. Almost a million dollars is needed to replace obsolete equipment and another $686,222 is needed to replace worn out equipment.

During an inspection of Maryland's community college facilities in 1979, it was noted that many items of laboratory equipment were old and obsolete. In some instances laboratories had been furnished with equipment from federal government surplus lists and with equipment no longer needed by commercial organizations. Considering this, it is not surprising that employers indicate that community college graduates are not always familiar with state-of-the-art equipment. There really is no vehicle available to the community colleges to obtain outside financial assistance to upgrade existing laboratory equipment or to equip new laboratories for emerging technologies.

The need for new equipment is concentrated in the program areas whose graduates will be working in occupations that have and will be undergoing rapid technological advances. The identified equipment needs for word processors, electronic calculators, computer equipment, diagnostic equipment, tools, scientific laboratory equipment, engineering, and mechanical technology laboratories make clear the areas and the investment that will be necessary to keep the training of the Maryland work force relevant to the needs of the Maryland economy. Modern technological progress causes early obsolescence of laboratory equipment and there never has been an adequate source of funds to address this problem in the community college structure.

Table H

LABORATORY EQUIPMENT NEEDS
BY ACADEMIC PROGRAM AREA
IN MARYLAND COMMUNITY COLLEGES
AS OF JUNE 30, 1983

Program Area	Amount
Biological Sciences	$ 47,328
Education	82,070
Engineering	51,948
Fine and Applied Arts	4,800
Foreign Languages	2,000
Letters	1,200
Mathematics	10,000
Physical Sciences	285,570
Business and Commerce Technologies	2,455,649
Data Processing Technologies	1,833,200
Health Services Technologies	689,930
Mechanical and Engineering Technologies	2,230,453
Natural Science Technologies	65,995
Continuing Education	2,370
Multiple Discipline Use	1,157,977
TOTAL	$8,920,490

Table I

LABORATORY EQUIPMENT NEEDS
BY REASON FOR NEED
IN MARYLAND COMMUNITY COLLEGES
AS OF JUNE 30, 1983

Reason for Need	Amount
Replace obsolete equipment	$ 870,394
Replace worn out equipment	686,222
Course/program upgrade	2,461,853
New technology	2,753,438
Multiple reasons	1,429,225
Other	711,958
Not listed	7,400
TOTAL	$8,920,490

FUNDING MECHANISMS USED BY VARIOUS STATES

S. V. Martorana of The Pennsylvania State University and James L. Wattenbarger of the University of Florida over an extended period of years, have studied the variations in community college finance nationally. From the noted diversity in principle and practice, they conclude that there are four major models for public support of community colleges. These are as follows:

1. Full-State Support. This process involves negotiations on a budget, sometimes on a line-item basis, after the state provides all funds other than student revenues and special funds. No local contribution is required. The negotiation may be between the college and a state-level board or between the college and state government itself (commonly the state legislature). States with full state funding include: Connecticut, Delaware, Idaho, Kentucky, Maine, Massachusetts, Rhode Island, Utah, Vermont, and Virginia.

2. Unit-Rate Formula. States using this approach provide a flat rate of support to each college based on units of "production"--most typically credit hours of instruction summated into full-time equivalent enrollment. The formula may be straightforward, such as a single rate, or it may utilize different rates for broad categories of instruction, such as transfer vs. occupational (but not program by program, which would more accurately be described as cost-based program funding). Other factors that may be used in the aid calculation include institutional size differences, service area characteristics, and comprehensiveness of programs and services. Unit rate formula participation by states may be further limited by a maximum ceiling level of support, maximum number of full-time equivalents funded by the state, or restrictions based on amount of local tax support. The fifteen states that use some kind of unit-rate formula are Alabama, Alaska, Colorado, Kansas, Marylund, Mississippi, Missouri, Nebraska, New Jersey, New York, North Dakota, Ohio, Oklahoma (for one of its colleges), Oregon, and Pennsylvania.

3. Minimum Foundation Plan. A minimum foundation plan, sometimes called an equalization program, attempts to provide a comparable total amount of revenue to each community college irrespective of the assessable wealth of local population or local government's ability to pay. Use of such a funding approach for community colleges is a direct descendent of means for funding elementary and secondary education. Equalizing community college states include: Arizona, California, Illinois, Michigan, Montana, New Mexico, Wisconsin, and Wyoming.

In a minimum foundation program, the localities are guaranteed a certain yield from a specified local millage. In effect, the state contributes the difference between what the local tax will raise and what is considered the cost of the minimum community college program.

4. Cost-Based Program Funding. Cost-based funding is a method whereby the state contributes an amount based upon a determination of actual program costs in each college. Neither a dollar amount or fixed percentage of state participation is contained in the law. Rather, the appropriation is made within the budgetary process. Such a plan is most commonly found in states that contribute all or most of the public

support of community colleges. These states include: Arkansas, Florida, Georgia, Hawaii, Iowa, Louisiana, Minnesota, Nevada, North Carolina, Oklahoma (for all but one of its colleges), South Carolina, Tennessee, Texas, Washington, and West Virginia.

In reviewing different patterns, such as funding methodologies discussed here, the question frequently arises as to which approach is best. There is no simple answer. Not only are there conceptual advantages and disadvantages to each system of finance, but these systems are likely to be entire historical evolutions that have brought each state to its current position as well as an entire network of linkages with funding concepts and practices for the state's other public services.

Without imposing value judgments on what is preferable, it is difficult to compare the expenditures of governmental units in different states, one to another. Fringe benefit figures for public higher education institutions may appear in institutional budgets, or they may not. Federal funds paid directly to the institutions may be reappropriated by the legislature, or they may not. Tuition income may be shown as a special fund revenue source, or it may appear as a non-budgeted item. Tax structures differ, concentrations of wealth differ, and the basic organizational structure of the states' political subdivisions and mechanisms for meeting identified needs differs.

A comparison with other states is useful only in providing a starting point for analysis. The final analysis must be accomplished in terms of knowledge of localized conditions. In a study such as this, the key question is not which mechanism has been adopted, but whether a state's financial efforts to provide community college services are adequate in terms of the needs shown and the patterns of response customary to the area. If resources are not being provided in necessary magnitude, one must determine what is needed and consider the feasibility fiscal consequences of desired changes. For any recommended change to have credibility in the decision-making arena, it is essential that the proposal be feasible, financially realistic, and readily understandable.

COMMUNITY COLLEGE GOVERNANCE AND FINANCE
DESCRIPTION OF MARYLAND AND PEER STATES

It frequently has been useful for higher education institutions in the State of Maryland to compare themselves with similar out-of-state institutions on important dimensions and characteristics. The technique provides a yardstick, however rough and approximate, to gauge whether Maryland might consider a different course of action in any particular regard.

In using peer analysis, counterpart states have been selected in different ways. One of the easiest and most frequent sets of comparisons includes Maryland and the contiguous states that share a common border. In this regard it is common to find Maryland compared with Pennsylvania, Delaware, Virginia, and West Virginia. Although it is not a "state," the District of Columbia is an entity that is sometimes included in certain peer analyses.

Expanding on the geographical theme, Maryland also finds itself frequently compared with other states in its region. Because Maryland is a border state, it commonly is compared with two disparate groups—the Middle States Association for Colleges and Schools for accreditation purposes and the Southern Regional Education Board (SREB) for purposes of regional cooperation and exchange. Therefore, Maryland is compared on some measures with mid-Atlantic states and on others with the Southern Region states.

The Maryland State Board for Higher Education has used peer analysis for a number of purposes, including comparison of administrative salary levels. In these studies, peers have been defined as institutions and groups of institutions, wherever situated, that are of similar size and that share common characteristics vis-a-vis mission, role, scope, and governance.

To identify other states that have community colleges similar to Maryland, it is necessary to find salient characteristics and not be bound by geography. Important in any such analysis is commonality in (i) state-local governance structure, (ii) funding mechanism(s), and (iii) identified role and mission.

Ideal peer states for Maryland would possess the following characteristics:

- Local governing boards within the overall coordination of a state-level community college board. This is in contrast to state-governed systems, two-year units of four-year institutions, and amalgamated higher education structures.

- State and local funding, with the state funding based on a "unit rate" approach. This is in contrast to full state funding, minimum foundation, cost-based funding, and program budgeting.

- Comprehensive community colleges with major transfer, occupational, and continuing education functions. This is in contrast to bifurcated technical and transfer institutions or systems lacking one of the elements.

Using these characteristics, the following chart has been developed. None of the states corresponds to Maryland in all respects. However, each shares enough commonality so that the five states as a group provide a useful comparative framework for analyzing community college issues in Maryland.

COMMUNITY COLLEGE GOVERNANCE AND FINANCE
MARYLAND AND PEER STATES

State	General Characteristics	Governance	Finance	Comments
Maryland	• 17 public community colleges • 30,488 full-time students 71,443 part-time students 101,931 total credit headcount	State Board for Community Colleges (coordinating board with local governing boards)	• Unit rate formula • State 36% Local 32% Tuition/Fees 28% • $2,452/FTE • Higher education $s as a % of state budget 11% • Community college $s as a % of higher education $s 20%	• Local boards appointed by Governor • Small colleges receive higher aid rate; unit rate formula supplemented with flat grant and additional stipend for each part-time credit student • Funding provided for state approved noncredit courses on an equated credit FTE basis • State contributes to Social Security and retirement
Arizona	• 20 public community colleges • 29,503 full-time students 87,142 part-time students 116,645 total credit headcount	State Board of Directors for Community Colleges (coordinating board with local governing boards)	• Unit rate formula with equalization • State 23% Local 45% Tuition/Fees 9% • $2,336/FTE • Higher education $s as a % of state budget 20% • Community college $s as a % of higher education $s 15%	• Local boards elected with taxing authority • Additional $/FTE provided for vocational or technical courses; districts with low assessed valuation receive equalization funding; • Noncredit courses are self-supporting through tuition and fees • State does not contribute to Social Security or retirement
Illinois	• 52 public community colleges • 117,754 full-time students 277,069 part-time students 394,823 total credit headcount	Community College Board (coordinating board with local governing boards)	• Differential funding with equalization • State 35% Local 30% Tuition/Fees 24% • $1,996/FTE • Higher education $s as a % of state budget 7% • Community college $s as a % of higher education $s 15%	• Local boards elected with taxing authority • Funding formula includes seven program categories; college districts having a tax base per FTE that is below the statewide average receive state equalization funding • State approved noncredit courses are funded under General Studies at cost (approximately $30/FTE) and colleges are required to charge regular credit tuition to qualify for State aid • State does not contribute to Social Security or retirement
Michigan	• 29 public community colleges • 65,897 full-time 151,073 part-time 216,970 total credit headcount	State Board for Public Community and Junior Colleges (advisory board with local governing boards)	• Differential funding with equalization • State 40% Local 27% Tuition/Fees 30% • Higher education $s as a % of state budget NA • Community college $s as a % of higher education $s NA	• Local boards elected with taxing authority • Funding formula based on contact hour costs for six different program areas; equalization provided for colleges with low expenditures per FTE and/or local tax base • Funding provided for all noncredit courses based on contact hour costs • State does not contribute to Social Security or retirement

State	General Characteristics	Governance	Finance	Comments
Texas	• 48 public community colleges • 106,465 full-time students 212,280 part-time students 318,745 total credit headcount	Texas College and University System (coordinating board with local governing boards)	• Differential funding • State 65% Local 25% Tuition/Fees 10% • $/FTE not available • Higher education $s as a % of state budget 18% • Community college $s as a % of higher education $s 15%	• Local boards elected with taxing authority • Funding formula based on contact hour costs for fifty-two different program areas • Noncredit courses are funded locally by fees and with taxes • State does not contribute to Social Security or retirement
Washington	• 27 public community colleges • 60,602 full-time students 62,598 part-time students 123,200 total credit headcount	State Board for Community College Education (coordinating board with local governing boards)	• Unit rate formula • State 91% Local 3% Tuition/Fees 0% • $2,223/FTE • Higher education $s as a % of state budget 17% • Community college $s as a % of higher education $s 34%	• Local boards appointed by Governor • College districts do not have local tax support; students can cross district lines at fees that are uniform • Funding provided for state approved noncredit courses • State pays full Social Security and retirement

NA = not available

NOTES: Enrollment figures are for Fall 1982.
Finance data are for FY 1982.
State, local, and tuition/fees do not total 100 percent due to federal and other miscellaneous revenues.
All of these states have comprehensive community colleges with transfer, occupational, and continuing education functions.

Sources: Community, Technical, and Junior College Directory 1984, (American Association of Community and Junior Colleges, 1984).
Financing Community Colleges, James L. Wattenbarger and James Heck (Institute of Higher Education, University of Florida, 1983).
Higher Education in the States, Education Commission of the States (Volume 8, No. 5, 1983).
Public Community College Finance, Gary W. Winger (National Association of College and University Business Officers, 1983).

PROPOSED LEGISLATION

DRAFT 2
Revised 10-11-84

1985 SBCC # 1

AN ACT concerning

Community Colleges - State Funding

FOR the purpose of altering the computation of State aid to community colleges; deleting the specified rates of State aid after Fiscal Year 1986; setting the base amounts of aid for Fiscal Year 1986; authorizing the establishment of a new methodology for the calculation of aid rates effective on and after Fiscal Year 1987; establishing a new program of low income student grants to community colleges based on the number of students eligible for certain student assistance; providing for the administration of grants and the funding level; requiring certain maintenance of local effort; establishing definitions and computations; authorizing the State Board for Community Colleges to promulgate rules, make payments, and administer the programs; clarifying the basis for estimating enrollments; in the process making style changes; and generally relating to funding of community colleges.

BY repealing and reenacting, with amendments,

Article - Education
Sections 16-403 through 16-404, inclusive
Annotated Code of Maryland
(1978 Volume and 1984 Supplement)

BY adding to

Article - Education
Section 16-404.1
Annotated Code of Maryland
(1978 Volume and 1984 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article - Education

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.

§ 16-403. State, County, and Student Support of Community College Current Expenses.

(a) Definitions

(1) In this section the following words have the meanings indicated.

(2) "County share" means the minimum amount of money to be provided each year to a community college by the county that supports the community college or, in the case of a regional community college, the total amount of money to be provided each year to the regional community college by all counties that support the regional community college.

(3) "Population" means population as determined by the 1970 census.

(4) "State share" means the amount of money to be provided each year to a community college by the State.

(b) Computations

(1) In this section, the following computations shall be made in the manner indicated.

(2) "Current expenses" is the [product of the per student operating cost of the community college for the current fiscal year multiplied by the number of full-time equivalent students enrolled at the community college] ADJUSTED CURRENT GENERAL UNRESTRICTED OPERATING EXPENDITURES MADE BY THE COMMUNITY COLLEGE IN ACCORDANCE WITH THE APPROVED BUDGET in the current fiscal year.

(3) "Full-time equivalent students" is the quotient of the number of student credit hours produced in the fiscal year divided by 30.

(c) State Share

(1) Except as otherwise provided in this subsection, the State share is THE AMOUNT PER FULL-TIME EQUIVALENT STUDENT COMPUTED UNDER § 16-404 OF THIS SUBTITLE, BUT NOT MORE THAN 50 percent of the current expenses of each community college [, but not more than $910 per full-time equivalent student].

(2) Except as provided in paragraph (4) of this subsection, the State share [is 55 percent of the current expenses] for Cecil Community College, Garrett Community College, Chesapeake College, and Wor-Wic Tech Community College IS THE AMOUNT PER FULL-TIME EQUIVALENT STUDENT COMPUTED UNDER § 16-404 OF THIS SUBTITLE, but not more than 55 PERCENT OF THE CURRENT EXPENSES [$1,720 per full-time equivalent student].

(3) Except for Cecil Community College, Garrett Community College, Chesapeake College, and Wor-Wic Tech Community College, the State shall grant to each board of trustees for community colleges in this State:

(i) An annual grant [of $270,000] IN THE AMOUNT COMPUTED UNDER § 16-404 OF THIS SUBTITLE; and

(ii) [$14] AN AMOUNT per part-time credit student enrolled in the respective community college COMPUTED UNDER § 16-404 OF THIS SUBTITLE.

(4) For fiscal year 1985, and each fiscal year thereafter, the employer Social Security contributions for any eligible position paid by the State may not exceed 6.70 percent of that part of the salary paid included within the Social Security wage base as defined in federal law.

(d) County Share

(1) Except as otherwise provided in this subsection, the county share is 28 percent of the current expenses.

(2) The county share is 32 percent of current expenses for Cecil Community College, Garrett Community College, and Chesapeake College.

(3) Any county, or the counties that support a regional community college, may pay more than its share of the current expenses.

(e) Student Share

(1) Except as otherwise provided in this subsection, the students at each community college shall pay, through tuition and fees, at least 22 percent of current expenses.

(2) The students shall pay, through tuition and fees, 17 percent of current expenses at:

(i) Any community college with less than 500 full-time equivalent students if the county in which the community college is located has a population of less than 50,000; and

(ii) Any regional community college if the counties that support the regional community college have a combined population of less than 150,000.

(3) The students, through tuition and fees, shall pay 13 percent of current expenses at Cecil Community College, Garrett Community College, and Chesapeake College.

(4) This subsection does not prohibit a county or regional board of trustees from requiring students at the community college to pay more than their share of the current expenses.

§ 16-404 COMPUTATION OF STATE AID TO COMMUNITY COLLEGES.

(a) In General

The annual total State appropriation for the current expenses of all community colleges shall be developed in accordance with this section.

(b) Estimate of Enrollment

(1) Each year the State Board for Community Colleges shall prepare a systemwide projection of total full-time equivalent enrollment at the community colleges in this State.

(2) This projection shall be prepared in consultation with the State Board for Higher Education and each community college and with the concurrence of the Department of Budget and Fiscal Planning.

(3) The projection shall be approved by the State Board for Community Colleges.

(C) RATES OF STATE AID

(1) FOR FISCAL YEAR 1986 ONLY, THE FOLLOWING RATES OF STATE AID SHALL BE IN EFFECT:

(I) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE STATE SHALL PROVIDE

$1,030 PER FULL-TIME EQUIVALENT STUDENT.

(II) FOR CECIL COMMUNITY COLLEGE, GARRETT COMMUNITY COLLEGE, CHESAPEAKE COLLEGE, AND WOR-WIC TECH COMMUNITY COLLEGE, THE STATE SHALL PROVIDE $2,035 PER FULL-TIME EQUIVALENT STUDENT.

(III) EXCEPT FOR CECIL COMMUNITY COLLEGE, GARRETT COMMUNITY COLLEGE, CHESAPEAKE COLLEGE, AND WOR-WIC TECH COMMUNITY COLLEGE, THE STATE SHALL PROVIDE AN ANNUAL GRANT OF $540,000 AND $24 PER PART-TIME CREDIT STUDENT.

(2) FOR FISCAL YEAR 1987 AND THEREAFTER, EACH OF THE THEN-APPLICABLE RATES OF STATE AID FOR EACH OF THE TYPES OF STATE AID SPECIFIED IN PARAGRAPH (1) OF THIS SUBSECTION SHALL BE ADJUSTED ANNUALLY BY THE PERCENTAGE INCREASE, IF ANY, IN THE STATE GENERAL FUND PER FULL-TIME EQUIVALENT STUDENT APPROPRIATION TO THE 4-YEAR PUBLIC INSTITUTIONS OF HIGHER EDUCATION IN THIS STATE BETWEEN THE PRECEDING FISCAL YEAR AND THE FISCAL YEAR BEFORE THAT.

(c) Computation of State Share

(1) The State Board for Community Colleges shall convert the projection of full-time equivalent enrollment DEVELOPED UNDER SUBSECTION (B) OF THIS SECTION into a budget request using the [formula in § 16-403 of this subtitle] THE AID RATES CALCULATED UNDER SUBSECTION (C) OF THIS SECTION and submit it to the Governor on or before October 10 of each year. The Governor shall include the budget request in the State budget for the next fiscal year.

(2) The budget request submitted to the Governor under paragraph (1) of this subsection is final. However, on or before February 10, the State Board for Community Colleges may request additional funds to be included in any supplemental budget.

§ 16-404.1 LOW INCOME STUDENT GRANTS PROGRAM.

(A) ESTABLISHED

(1) ON AND AFTER JULY 1, 1985, THERE IS A LOW INCOME STUDENT GRANTS PROGRAM.

(B) IN GENERAL

(1) THE PROGRAM OF LOW INCOME STUDENT GRANTS SHALL BE ADMINISTERED BY THE STATE BOARD FOR COMMUNITY COLLEGES UNDER THE PROVISIONS OF THIS SECTION.

(2) THE STATE BOARD FOR COMMUNITY COLLEGES MAY ADOPT REASONABLE RULES AND REGULATIONS TO CARRY OUT THE PROGRAM OF LOW INCOME STUDENT GRANTS.

(3) THE STATE BOARD FOR COMMUNITY COLLEGES SHALL MAKE PAYMENTS TO EFFECTUATE THE PROVISIONS OF THIS SECTION FROM FUNDS SPECIFICALLY APPROPRIATED FOR THIS PURPOSE, AS PROVIDED IN THE STATE BUDGET.

(4) EACH COMMUNITY COLLEGE SHALL BE ELIGIBLE TO RECEIVE LOW INCOME STUDENT GRANTS IN THE AMOUNT CALCULATED UNDER THIS SECTION, PROVIDED HOWEVER THAT THE COLLEGE SHALL RECEIVE A CONTRIBUTION FROM THE COUNTY NOT LESS THAN IT RECEIVED DURING THE PRECEDING FISCAL YEAR.

(5) THE LOW INCOME STUDENT GRANTS SHALL BE PAID ON OR BEFORE NOVEMBER 30, ALONG WITH OTHER STATE AID THEN DUE TO EACH COMMUNITY COLLEGE.

(C) COMPUTATIONS TO DETERMINE TOTAL AMOUNT OF GRANT

(1) THE AMOUNT OF THE LOW INCOME STUDENT GRANT TO EACH COMMUNITY COLLEGE SHALL BE DETERMINED ANNUALLY.

(2) THE GRANT TO EACH COMMUNITY COLLEGE SHALL BE COMPUTED BY MULTIPLYING THE NUMBER OF STUDENTS WHO RECEIVED FEDERAL PELL GRANTS UNDER UNITED STATES CODE 20 U.S.C. 1070 ET SEQ DURING THE PRECEDING FISCAL YEAR TIMES THE PER STUDENT AMOUNT IN SUBSECTION (D).

(3) THE NUMBER OF STUDENTS ELIGIBLE TO RECEIVE FEDERAL PELL GRANTS SHALL BE AS REPORTED TO THE STATE BOARD FOR COMMUNITY COLLEGES AND SHALL BE SUBJECT TO ANNUAL AUDIT UNDER § 16-409 OF THE SUBTITLE.

(D) PER STUDENT AMOUNT

(1) FOR FISCAL YEAR 1986 ONLY, THE PER STUDENT AMOUNT SHALL BE $150.

(2) FOR FISCAL YEAR 1987 AND THEREAFTER, THE PER STUDENT AMOUNT IN THE PRECEDING FISCAL YEAR SHALL BE ADJUSTED BY THE PERCENTAGE INCREASE, IF ANY, AS COMPUTED UNDER § 16-404 (C)(2) OF THIS SUBTITLE.

§ 16-405 PAYMENT OF STATE SHARE.

(A) BASIS OF ESTIMATING STATE SHARE

IN THIS SECTION, THE STATE BOARD FOR COMMUNITY COLLEGES SHALL ESTIMATE THE AMOUNT PAYABLE TO EACH COMMUNITY COLLEGE BY APPLYING THE ENROLLMENT IN THE PRECEDING FISCAL YEAR OR THE AVERAGE OF THE PRECEDING THREE FISCAL YEARS, WHICHEVER IS GREATER.

[(a)] (B) Certification to State Comptroller

Each year the State Board for Community Colleges shall certify to the State Comptroller:

(1) On or before July 31 and November 30 one-fourth of the amount it estimates to be the State share under § 16-403 of this subtitle for each community college;

(2) On or before March 31 one-half of the amount it estimates to be the State share under § 16-403 of this subtitle for each community college;

(3) On or before June 30 of each year, the amount necessary to bring the July, November, and March payments into balance with the actual enrollments and costs per student of each community college; and

(4) After the annual audit of each community college, any discrepancy between the payments made and the actual State share under § 16-403 of this subtitle for the [preceding] LATEST AUDITED fiscal year, which shall be compensated for in the November payment.

[(b)] (C) Payment

Within five (5) days after he receives a certification from the State Board for Community Colleges, the State Comptroller shall draw a warrant on the State Treasurer for the amount due each community college. The State Treasurer immediately shall pay the amount due to the board of trustees of the community college.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1985.

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